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October 29, 2004

**BY HAND**

Mary L. Cottrell, Secretary  
Department of Telecommunication and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, Massachusetts 02110

**Re: D.T.E. 04-48, Fitchburg Gas and Electric Light Company Pension/PBOP  
Adjustment Mechanism – Tariff Compliance Filing**

Dear Secretary Cottrell:

Fitchburg Gas and Electric Light Company ("FG&E") hereby submits the following tariffs, along with revised indices, in compliance with the Department's order in D.T.E. 04-48 issued on October 27, 2004:

Gas Division

M.D.T.E. No. 119

Electric Division

M.D.T.E. No. 112

FG&E has also included the redlined versions of the currently effective tariffs showing the original proposed changes as well as changes made in compliance with the Department's order. Also included with this filing are Schedules LMB-1 through LMB-6 providing a revised Pension/PBOP Adjustment Factor ("PAF") calculation in accordance with the Order.

As shown on Schedule LMB-1, the compliance PAF for the Electric Division is \$0.00077 per kWh, effective January 1, 2005 and for the Gas Division, the compliance PAF is \$0.0127 per therm, effective November 1, 2004.

### Compliance Tariffs

For the Gas Division tariff, M.D.T.E. No. 119, except for updating the issue date, no additional changes were required by the Order than those originally proposed since the rate calculations are performed outside of the tariff. The Department's Order required revised computations that did not affect the underlying tariff language.

For the Electric Division tariff, M.D.T.E. No. 112, the issue date and effective dates were updated. Clarifying changes were also made to Sections 1.01, 1.04 (5), and 1.04(7). Specifically these changes were made to address the Department's directive that FG&E allocate its pension and PBOP expenses between the transmission and distribution function. Similar to the Gas Division, the Department's Order required additional computational changes that did not affect the underlying tariff language.

Note that FG&E intends to file its electric rate schedules that were filed in its original PAF filing for informational purposes in conjunction with its next electric annual reconciliation filing. These tariffs will be revised to incorporate the PAF into the Adjustment provision of each rate schedule, effective January 1, 2005.

### Compliance PAF Calculation

The revised PAF calculation is provided on Schedules LMB-1 through LMB-6. The substantive changes have been shaded to aid the Department's review. The changes to each schedule are described below.

Schedule LMB-1: The carrying charge component of the PAF has been modified to credit the Unitil Service prepaid pension and PBOP in compliance with the Department's Order. The prepaid pension and PBOP has also been adjusted to exclude amounts allocated to the electric transmission function. The amounts of pension and PBOP deferrals and expenses used in the calculation of the Reconciliation Adjustment ( $RA_x$ ) for Electric has been adjusted to exclude amounts allocated to the electric transmission function as derived on LMB-2, LMB-4 and LMB-5.

Schedule LMB-2: The line to deduct the amortization of the transition obligation from the calculation of amount of PBOP expense to be capitalized was removed in order to comply with the Department's requirement that the Company capitalize a portion of the amortization of the PBOP transition obligation using the same capitalization ratios as for other pension and PBOP costs. In addition, the total pension/PBOP expense has been adjusted to exclude amounts allocated to the electric transmission function.

Schedule LMB-3: This schedule has been simplified. It previously showed the calculation of pension and PBOP expense regulatory asset deferral separately. The schedule now shows the combined pension/PBOP expense regulatory asset deferral as these amounts pull directly from Schedule LMB-4 and LMB-5.

Schedule LMB-4: The computation of pension/PBOP expense in base rates has been adjusted to exclude amounts allocated to the electric transmission function.

Schedule LMB-5: The same changes that were made to Schedule LMB-2 were also made to Schedule LMB-5. Schedule LMB-2 is the 2004 Pension/PBOP Expense calculation while Schedule LMB-5 is the 2003 calculation.

Schedule LMB-6: No change.

Also attached to this filing is a page from FG&E's Compliance Filing in D.T.E. 02-24/25 (Schedule JLH-2-2 Compliance) supporting the transmission function allocation factor used to exclude transmission costs in the calculations described above. In the test year cost of service study, pension/PBOP expenses were allocated to the transmission function based on a labor allocator. Consistent with the test year cost of service, the labor allocator is used to allocate pension and PBOP expenses including prepaid expenses, between the transmission and distribution function. The labor allocator is provided on line 2 of Schedule JLH-2-2 Compliance.

FG&E submits that these changes comply with the Department's Order and respectfully requests approval of these tariffs effective November 1, 2004 and the PAF effective November 1, 2004 for its Gas Division, and January 1, 2005 for its Electric Division. On this same day, FG&E has also filed a revision to its Local Distribution Adjustment Charge with the Department's Gas Division in compliance with the Department's Order.

Thank you for your attention to this matter.

Sincerely,



Scott J. Mueller  
Counsel for  
Fitchburg Gas and Electric Light Company

cc: Alexander J. Cochis, Asst. Attorney General  
Kevin Brannelly, Dir., Div. of Rates and Revenue Requirements  
Caroline Bulger, Hearing Officer  
Paul Osborne, Rates and Revenue Division  
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